

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

November 16, 1998

IN RE:

**APPLICATION OF TENGASCO PIPELINE
CORPORATION FOR A CERTIFICATE OF
PUBLIC CONVENIENCE AND NECESSITY TO
PROVIDE INTRASTATE NATURAL GAS
SERVICES**

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) **Docket No.**
) **98-00156**
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ORDER RE-OPENING CASE FOR ADDITIONAL CONSIDERATION

This matter came before the Tennessee Regulatory Authority (the "Authority") at a regularly scheduled Authority Conference held on September 1, 1998 ("Conference"), upon the Petition of Claiborne County Utility District (the "CCUD") and Natural Gas Utility District of Hawkins County, Tennessee (the "UDHC") to Re-Open Docket for Reconsideration and to Permit Intervention ("Petition to Re-Open")

Background

On March 9, 1998, Tengasco Pipeline Corporation ("TPC") filed its Application for a Certificate of Convenience and Necessity to provide intrastate natural gas services in Hawkins, Claiborne and Hancock Counties, Tennessee, pursuant to Tenn Code Ann § 65-4-201 et seq. On May 22, 1998, TPC filed an Amended and Restated Application. On June 30, 1998 and July 7, 1998, this matter was considered by the Directors of the Authority.¹ The Application and the Amended and Restated Application shall be

¹ The hearing was recessed on June 30, 1998 without a decision, upon the vote of a majority of the Directors, to allow TPC additional time to supplement its testimony and supporting documentation concerning the leak surveying process and other safety issues. Director Kyle voted to grant TPC's Application on the basis of the testimony already presented. On July 7, 1998, the hearing resumed.

collectively hereinafter referred to as the “Application” and the Certificate of Convenience and Necessity issued shall be hereinafter referred to as the “CCN ” The Authority’s Order granting TPC’s Application following the hearing in this matter shall be hereinafter referred to as the “CCN Order ”

The CCN Order resulted in TPC’s issuance of a CCN to provide intrastate natural gas services within Claiborne, Hawkins, and Hancock Counties, Tennessee, subject to Tenn Code Ann § 7-82-301 et seq and other applicable Tennessee laws² The CCN Order provided that its terms “shall not be construed to contravene any statutory rights of any municipality or utility district ”

On July 30, 1998, the CCUD and the UDHC jointly filed the Petition to Re-Open, requesting, among other things, that the Authority reconsider the CCN Order, re-open the Docket for further proof, allow the CCUD and the UDHC to intervene, and amend the CCN Order to limit the scope of TPC’s CCN in Hawkins County to transportation only On August 14, 1998, the Authority issued a Notice of Filing Deadline through its Executive Secretary requiring TPC to provide a written response to the allegations contained in the Petition to Re-Open TPC responded thereto on August 19, 1998, and filed supporting affidavits on August 20, 1998 and August 21, 1998 On August 31, 1998, one day prior to the September 1, 1998, Authority Conference, the CCUD and the UDHC filed the Statement of Authorities and Arguments Supporting Petition of CCUD and UDHC to Re-Open Docket for Reconsideration and to permit Intervention (the “Statement of Authorities and Arguments”)

² A copy of the Order Deferring Action on the CCN resulting from the June 30, 1998 hearing is attached hereto as Exhibit 1 A copy of the CCN Order is attached hereto as Exhibit 2

September 1, 1998, Authority Conference

At the September 1, 1998, Authority Conference, counsels for the parties argued before the Directors concerning whether sufficient evidence had been presented to justify re-opening this matter³ While counsel for the CCUD and the UDHC had filed a Statement of Authorities and Arguments, counsel for TPC objected to the Authority's consideration of the same because counsel for TPC (1) had not received the Statement of Authorities and Arguments prior to the September 1, 1998, Authority Conference, and (2) had not been provided ample opportunity to consider the same The Authority sustained the objection, however, it permitted each party to briefly describe the nature of their respective arguments

Generally, counsel for the CCUD and the UDHC argued that the Authority should re-open the Docket because (1) neither the CCUD nor the UDHC had either actual or constructive notice that TPC's Application was being considered by the Authority prior to the issuance of the CCN Order, and (2) as a matter of fundamental due process, the CCUD and the UDHC were required to have been provided actual notice of a copy of the Application by either TPC or the Authority, or both Counsel for the CCUD and the UDHC also objected to the CCN Order on the ground that it did not contain specific findings relating to the needs of Claiborne County, Tennessee

Specifically, counsel for the CCUD and UDHC argued that procedural error had been committed in the conduct of the hearing because they had been denied either actual

³ The CCN Order also granted TPC the authority to serve within Hancock County, however, Hancock County did not seek intervention in this proceeding The parties acknowledged that Powell Valley Utility District (the "PVUD") was lawfully created by the utility management review board to serve Hancock County, Tennessee The parties did not dispute that the PVUD had contracted with Tengasco, Inc., the parent corporation of TPC, for the delivery of natural gas to the PVUD

or constructive knowledge of TPC's CCN Application⁴ When questioned by the Authority on this issue, counsel for the CCUD and UDHC stated

Let me be very specific about Hawkins County. Hawkins County has a contract with a sister company of Tengasco Pipeline, Inc - Tengasco, Inc, to buy gas from Tengasco Hawkins County- Mr Young, understood that there would be a filing at some point in time by Tengasco Pipeline Company seeking a certificate from the Authority merely to transmit gas in a pipeline from Tengasco, Inc to Hawkins County Tengasco Pipeline Company and Tengasco, Inc never disclosed to Mr Young or to Hawkins County Utility District that it was- it was the intent of Tengasco Pipeline Company not only to seek a certificate that would permit it to transmit gas from the Tengasco field to Hawkins County but would also permit it to transport gas to other locations in Hawkins County and to distribute that gas to end users, which is what they apparently intend to do now

So there was- there was no information that was held by Hawkins County relative, I guess, to the scope of the filing that would be made by Tengasco Pipeline Company There was also -⁵

Later, the Authority questioned counsel concerning the meaning of a letter from a representative of UDHC to the Authority's Staff as follows

CHAIRMAN MALONE Mr Bovender, before we switch to Ms Sanders, Tengasco attached to their filings the affidavit of Robert M Carter in which he says, among other things, during the three years of the relationship between Hawkins County Utility District and the company, I had at least weekly conversations with both Mr Young and Mr Patrick Lund, senior engineer for Hawkins County Utility District, concerning both the progress of the construction of the pipeline and the company's compliance with applicable state regulatory authorities, including the Tennessee Regulatory Authority And further- I am reading from a letter dated June 8th, 1998, which predates both hearings, I believe, on Hawkins County Gas Utility stationery to Mr Gl[y]nn Blanton [of the Authority's Staff], and the letter is from Patrick R Lund, who Mr Carter refers to in his affidavit And the letter states, The Hawkins County Gas Utility District is well aware of your efforts in working with Tengasco to provide a safe and reliable new source of natural gas to the East Tennessee area In order not to undermine or interfere with these efforts and to help ensure the safety of our customers as well [sic] the general public in Hawkins County, we pledge not to accept any natural gas from the new Tengasco pipeline until we receive written assurance from the Tennessee Regulatory

⁴ Transcript of Authority Conference held on September 1, 1998. at 26-27

⁵ Id at 40-41

Authority that it is safe and legal to do so. And it appears from that letter that Hawkins county was very much aware of something

* * *

CHAIRMAN MALONE Well, how about this letter?

MR BOVENDER The letter-as I stated earlier, Mr Chairman, Hawkins County Utility District knew or assumed or thought or were told that Tengasco, Inc -there's a difference between Tengasco Pipeline Company and Tengasco, Inc Tengasco, Inc was seeking - would be seeking authority to provide gas to Hawkins County from Tengasco's fields in Hawkins County and, in fact, they're providing gas to Hawkins County now What Hawkins County was not aware of was that the - was that Tengasco Pipeline Company had filed an application seeking a certificate from this Authority to distribute and transmit gas within Hawkins County and the scope of the authority that Tengasco Pipeline Company was seeking, and that's - there's a big difference there ⁶

The CCUD and the UDHC argued that they had a right to receive actual and direct notice from either the Authority or TPC, or both, of the conduct of TPC's CCN hearing and, specifically, a copy of the original Application and the Amended and Restated Application ⁷ During additional discussion, the Authority inquired about how the UDHC obtained a copy of the CCN Order granting TPC a CCN, to which counsel for the UDHC responded, "I am told that Evan Energy,⁸ Mr Counts, got a copy of the order on July the 22nd, provided it to Mr Corlew at Barge, Wagner, Sumner, and Mr Corlew in turn faxed it to the representatives of the utility districts on the 22nd of July "⁹ In sum, counsel for the CCUD and the UDHC indicated

You know, we're just asking for an opportunity to be heard in a normal proceeding to put on evidence that would be germane to any decision the

⁶ Id at 42-44

⁷ Id at 40-45

⁸ Counsel for TPC indicated during the discussion of this matter that "[O]n information and belief since this matter came up, that one of those utility districts may have an exclusive contract with Evan Energy " Id at 77 (referring to Claiborne County Utility District). see also id at 80-81

⁹ Id at 46

Authority would make and to give the Authority the benefit of information which it did not have in the first two hearings, and that's all we're asking for. And we don't feel like that's an unreasonable request.¹⁰

Generally, TPC's counsel responded that affidavit testimony had been submitted to demonstrate that (1) TPC was unaware of the existence of the CCUD until the CCUD filed, along with the UDHC, the Petition to Re-Open the Docket, (2) and that the UDHC had either actual or constructive notice of the Authority's consideration of TPC's Application because TPC representatives had been in communication with representatives of the UDHC about the construction of TPC's pipeline and the application of TPC for authority to operate a pipeline within Tennessee.

With respect to the CCUD, counsel for TPC argued that because neither it nor the Authority had knowledge of the existence of the CCUD prior to the filing of the Motion to Re-Consider, neither could reasonably have been required to provide notice to an unknown entity.¹¹ With respect to the UDHC, TPC argued that because the UDHC had either actual or constructive notice of the fact that a proceeding to grant a CCN to TPC was underway, and they failed to timely appear and seek intervention, they should not be allowed to later complain about the effect of the CCN Order.¹² TPC further argued that the UDHC had contracted with Tengasco, Inc., the parent corporation of TPC, for the sale of natural gas and that, as part of those contract negotiations, the UDHC had received actual knowledge that TPC would be the transporter of Tengasco, Inc.'s natural gas and that TPC was seeking a CCN from the Authority in order to lawfully do so.¹³ TPC also indicated that "[W]hat we have been granted in this proceeding does not prejudice the

¹⁰Id. at 65

¹¹Id. at 51

¹²Id. at 51-52, 65-66

¹³Id. at 51-52, 62-63

rights of these utility districts. The order is subject to the utility district statute. So we don't have any more than the state law can grant us.”¹⁴

The parties also starkly disagreed on the meaning and applicability of Tenn. Code Ann. § 7-82-301 to the CCN Order, which stated, among other things

IT IS THEREFORE PROVIDED THAT

1. The Application of TPC to provide intrastate natural gas services within Claiborne, Hawkins, and Hancock Counties, Tennessee is hereby approved.

2. The terms of this Order shall be construed subject to Tenn. Code Ann. § 7-82-301 et seq. and other applicable Tennessee laws and shall not be construed to contravene any statutory rights of any municipality or utility district.

Counsel for the CCUD and the UDHC argued that Tenn. Code Ann. § 7-82-301 (C) grants to a utility district the exclusive authority to engage in retail distribution within its service area.¹⁵ Counsel also argued that state case law held that the Authority “did not have the authority - statutory authority to grant a certificate to permit an entity to compete with a utility district.”¹⁶ However, TPC’s counsel argued that Tenn. Code Ann. § 7-82-301 (2)(A) recognizes that “the utility district does not have exclusive jurisdiction for transmission of gas.”¹⁷ Thus, TPC’s counsel argued that TPC was statutorily permitted to transport the gas in the service area of a utility district, as long as TPC is not the seller of the gas.¹⁸ Arguing that TPC’s transportation of another’s gas into the subject utility districts’ service areas did not constitute “retail distribution,” TPC’s counsel stated

MS SANDERS: It was- it’s always been Tengasco Pipeline Corporation’s intent to transport the gas to- in that area, not to sell it. And

¹⁴Id. at 65-66

¹⁵Id. at 66

¹⁶Id. at 69 (citing West Wilson Utility District of Wilson County v. Z. D. Atkins) (additional cite reference not contained within original)

¹⁷Id. at 52

¹⁸See id.

the - I think one of the areas where there is confusion, there is a state statute which-

CHAIRMAN MALONE Ms Sanders, if I can get some clarification To transport gas in that county to customers other than the utility district?

MS SANDERS Yes To customers who can legally buy gas from a competitive source We're not talking about retail residential customers We're talking about industrial users who can buy gas from other sources who can buy competitive gas, that is the intent of Targasco Pipeline Corporation, not to be a local distribution company in that utility district area where they would serve all customers They would have to be transporting the gas of someone who had legally sold the gas to that customer, and Targasco Pipeline Corporation would not be actually selling the gas¹⁹

Thereafter, TPC's counsel suggested that federal law may preclude the Authority from modifying its CCN Order to restrict TPC's transmission of gas to industrial end users located within the subject utility district's territories, stating

This Authority doesn't have any authority to change what companies can buy gas on a competitive basis So some of these customers that we are talking about serving are buying gas today from East Tennessee Pipeline or from other competitive services or they have - or they could if they had a pipeline that could transport the gas to them So I don't think that this Authority - it can change that So the federal law is what it is that allows sales on the open market and sales from gathering systems, and there's nothing that the TRA can do to change that So you know, I think that to the extent that competition exists on that level, they can't change that by the order of this Authority²⁰

After due consideration of the matters presented, and being unable to obtain an agreement of the parties on how to proceed, the Directors voted 2-to-1, in favor of re-opening the proceeding on their own motion²¹ The majority also voted to appoint the General Counsel, or his designee, to serve as a pre-hearing officer for the purposes of

¹⁹Id at 52-53

²⁰Id at 67

²¹Director Sara Kyle voted against the motion to re-open the docket, stating "I want to clarify my position of the vote that was taken on this CCN I voted to grant that CCN for the transportation of wholesale natural gas to these utility districts That clarifies my vote That's what I intended, therefore, I don't see a need to reopen this case, and I so move "

preparing this matter for hearing and scheduling a pre-hearing conference to establish procedurally how this matter should proceed, to identify what issues should be briefed and to identify what issues are before the Authority necessitating a hearing. Although the Authority heard argument concerning whether staying the CCN Order was appropriate, the Authority took no action to impose a stay.

The Authority's majority concluded that the CCUD and the UDHC raised new evidence that (1) was not available to the Authority for consideration during TPC's CCN hearing, and (2) is relevant to TPC's request for a CCN to serve Claiborne and Hawkins Counties, Tennessee to the extent that TPC interprets its grant of such authority to permit TPC to "transport the gas of Tengasco, Inc., in any of those three counties where Tengasco sells gas, whether that gas be sold to a utility district or whether it be sold to some industrial user."²² The majority's position is rendered in recognition of Tennessee Consumer Advocate v. TRA, 1997 WL 92079, *3 (Tenn. Ct. App. 1997), requiring administrative agencies to take pains to adhere to the basic rules of fairness.


IT IS THEREFORE ORDERED THAT

- 1 Docket No. 98-00156 is re-opened,
- 2 The General Counsel, or his designee, is appointed to serve as a pre-hearing officer for the purposes of preparing this matter for hearing and scheduling a pre-hearing conference to establish procedurally how this matter should proceed, to identify what issues should be briefed and to identify what issues are before the Authority necessitating a hearing.


²²Id. at 55

3 Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within ten (10) days from and after the date of this Order

4 Any party aggrieved with the Authority's decision in this matter has the right of judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from and after the date of this Order



CHAIRMAN



DIRECTOR

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DIRECTOR

ATTEST



EXECUTIVE SECRETARY

*** As indicated by fn. 21 on p.8 hereof, Director Sara Kyle voted against the motion to re-open the case.

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

IN RE:

July 21, 1998)

APPLICATION OF TENGASCO PIPELINE CORP.) Docket No. 98-00156
FOR A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY TO PROVIDE INTRASTATE)
NATURAL GAS SERVICES)

**ORDER DEFERRING ACTION ON THE CERTIFICATE OF
PUBLIC CONVENIENCE AND NECESSITY**

This matter comes before the Tennessee Regulatory Authority (hereafter "Authority") upon the application of Tengasco Pipeline Corporation (hereafter "Tengasco") for a Certificate of Public Convenience and Necessity ("CCN") to provide intrastate natural gas services within the State of Tennessee pursuant to Tenn Code Ann §§ 65-4-201(a) and 65-28-103

On March 9, 1998, Tengasco filed an application for a CCN with the Authority to provide natural gas transportation and distribution services in Claiborne, Hancock, and Hawkins Counties, Tennessee. This application was amended and restated on May 22, 1998. Tengasco submitted pre-filed testimony and additional data pursuant to Authority Rule 1220-4-5-06, on June 17, 1998. On June 25, 1998, the Gas, Water and Electric Division of the Authority (hereafter the "Authority Staff") filed its Report of Natural Gas Safety Inspection, No. 98-089, that identified observations, comments, and recommendations concerning present and previous violations pursuant to Code of Federal



Regulations, Title 49, titled "Transportation of Natural and Other Gas by Pipeline, Minimum Federal Safety Standards" (hereafter the "Inspection Report")

The matter was heard by the Directors of the Authority on June 30, 1998. At the Hearing the Directors heard testimony about economic impact of the distribution line on the citizens of Claiborne, Hancock, and Hawkins Counties. The Directors further addressed safety issues discussed in the Inspection Report,¹ and directed questions based upon those concerns to Tengasco's witnesses.

Testimony on the pipeline's safety was offered by Bill Miller, Vice President of Field Operations for Tengasco, Inc. Mr. Miller testified that, he had previously performed a gas leak survey using detection equipment. Mr. Miller initially identified this equipment as a Barton meter or "sniffing" equipment. It was later determined that this equipment was flame ionization equipment. Mr. Miller stated that his total training on this type of

¹ • Recommendations The pressure test of the pipeline verified that the pipeline is structurally sound. Due to compressibility of air, however, a large amount of air could leak from the system without a detectable change on the pressure chart. For this reason, TRA staff recommended that a leakage survey be performed on the pipeline with a flame-ionization unit before putting the pipeline in service. Representative Armstrong and Mr. Brockinan both agreed that this would further ensure safety on the pipeline system. TRA staff also recommended that a close interval cathodic protection survey be performed on the pipeline within six months. Since there is known coating damage, though limited in quantity, this would further ensure that potential for damage from corrosion is reduced. This would normally be required within one year of the construction but since some areas are damaged and corrosion may take place rapidly, TRA staff believes the close interval survey should be performed earlier. TRA staff recommends that operator establish procedures to carefully monitor pressure and ensure that the MAOP of 720 psig is not exceeded. Wells supplying gas to this pipeline have shut-in pressures of approximately 2000 psi g. When gas flows from the wells, this pressure will reduce over time to a steady state value that depends on the geology of each well. Until that point is reached there is initially a potential to overpressure the pipeline. Relief valves are installed on the system, however, the required relief capacity cannot be determined due to unknown capacity of the producing wells. Report and Recommendation of Natural Gas Safety Inspection, No. 98-089, Tennessee Regulatory Authority Gas, Water and Electric Division pursuant to Code of Federal Regulations, Title 49, titled "Transportation of Natural and Other Gas by Pipeline, Minimum Federal Safety Standards."

equipment was prior use and a demonstration at the time the equipment was purchased. Mr. Miller stated that Tensasco officials made the decision to perform the flame ionization survey in-house rather than contract for an independent third party verification. He further stated that in the course of his survey he detected one small leak, but did not know the relationship of the size of the leak to the federal grading system. In addition, Mr. Miller did not know the categories of the federal grading system. Mr. Miller testified that he had filed no report of his survey with the Authority and had no documentation of his survey except for his own notes.

Further, the Directors inquired of the cathodic protection of the distribution line emphasized in the Inspection Report. The Honorable Joe Armstrong, a member of the Tensasco Board of Directors, reiterated the testimony of Tensasco General Counsel Wesley Baker, who testified that the "as built" drawings were to be completed around July 7, 1998, and a map would be prepared and submitted to the Authority. The Hon. Mr. Armstrong indicated that the request for proposal for an independent third party verification of the strength of the cathodic protection along the length of the pipeline would be released after July 7, 1998, and would take some undetermined time to perform, but by law must be performed within fifteen (15) months of pipeline construction. The Hon. Mr. Armstrong also stated that Tensasco would have flame ionization testing performed by an independent party, if that was the direction of the Authority.

The Directors stressed the importance of safety and the economic impact of this distribution line on Hawkins, Claiborne and Hancock counties in East Tennessee. The Directors stated that deliberations should be resumed whenever Tensasco felt that it had

adequately addressed the Authority's safety concerns. The majority of Directors,² found that the public safety, interest, convenience and necessity would best be served by deferring consideration of this matter until the following information or tests with proper documentation is submitted to the Authority by Tensasco.

- 1) "As built" drawings of the distribution pipeline,
- 2) A flame ionization leakage survey performed party on the pipeline by an independent third party, and
- 3) An approximate date, by which a close-interval cathodic protection test performed by an independent third party, will be completed

Upon consideration of pertinent portions of the record and the testimony of the witnesses presented by Tensasco a majority of the Directors of the Authority deferred consideration of the application from Tensasco for a CCN to provide intrastate natural gas services State of Tennessee pursuant to Tenn Code Ann § §.65-4-201(a) and 65-28-103³

IT IS THEREFORE ORDERED THAT

1. The application of Tensasco Pipeline Corporation, is hereby deferred,
2. Tensasco shall submit,
 - a) "As built" drawings of the distribution pipeline,
 - b) A flame ionization leakage survey performed on the pipeline by an independent third party, and

² Director Kyle stated that Tensasco had demonstrated full compliance under Tenn Code Ann § § 65-4-201(a) and 65-28-103

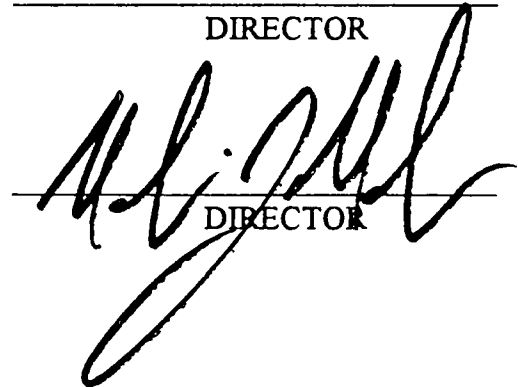
³ Director Kyle voted not to defer consideration of the application

c) An approximate date, by which a close interval cathodic protection test performed by an independent third party, will be completed, and

3. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within ten (10) days from and after the date of this Order.


CHAIRMAN

DIRECTOR


DIRECTOR

ATTEST.


EXECUTIVE SECRETARY

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

July 21, 1998

IN RE:

APPLICATION OF TENGASCO PIPELINE
CORPORATION FOR A CERTIFICATE OF
PUBLIC CONVENIENCE AND NECESSITY TO
PROVIDE INTRASTATE NATURAL GAS
SERVICES

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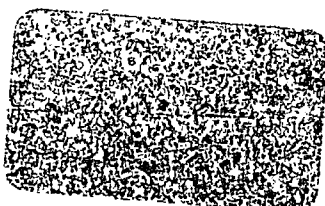
**ORDER GRANTING CERTIFICATE OF
PUBLIC CONVENIENCE AND NECESSITY**

This matter comes before the Tennessee Regulatory Authority ("Authority") upon the Application of Tengasco Pipeline Corporation ("TPC") for a Certificate of Convenience and Necessity to provide intrastate natural gas services in Hawkins, Claiborne and Hancock Counties, Tennessee, pursuant to Tenn. Code Ann. § 65-4-201 et seq. (the "Application").

This matter was originally heard by the Directors of the Authority on June 30, 1998, before Chairman Lynn Greer, Director Sara Kyle and Director Melvin Malone. The hearing was recessed without a decision, upon the vote of a majority of the Directors,¹ to allow TPC additional time to supplement its testimony and supporting documentation concerning the leak surveying process and other safety issues.

The hearing resumed on July 7, 1998, after proper notice issued. In considering TPC's Application, the Authority considered whether the applicant "possesses sufficient managerial, financial, and technical abilities to provide the applied for services." In

¹ Director Kyle voted to approve TPC's Application without any further action required.



addition, the Authority considered whether the applicant is willing to adhere to the Authority's "policies, rules and orders." Among the most important Authority rules with which TPC and other gas public utilities must comply are those that relate to pipeline safety.

At TPC's hearing, upon conclusion of the proof in the case, the Authority granted TPC's Application and made the following findings of fact:

I. TPC's Qualifications

1. TPC is a corporation organized and qualified to do business in the State of Tennessee. Its principal office is located at 603 Main Avenue, Suite 500, Knoxville, Tennessee 37902. Its registered agent for service of process is Wesley Baker, located at 603 Main Avenue, Suite 500, Knoxville, Tennessee 37902.

2. TPC transports and distributes natural gas, and is a wholly owned subsidiary of Tengasco, Inc., a publicly traded company that produces natural gas.

3. TPC has the requisite technical and managerial qualifications necessary to provide intrastate natural gas services within Tennessee.

4. TPC has available to it the engineering, technical and operational expertise developed by Tengasco, Inc.

5. TPC has the financial ability to successfully operate within the State of Tennessee.

6. TPC has represented that it will comply with the Authority's policies, rules and orders.

II. Proposed Services

1. Tengasco, Inc. owns several natural gas wells in Hancock County, Tennessee; however, Tengasco, Inc. is not a distributor or transporter of said natural gas.

2. Tengasco, Inc. has a contract with Hawkins County Utility District located in Rogersville, Hawkins County, Tennessee ("HCUD") for the transportation of natural gas from Tengasco, Inc.'s wells in Hancock County to the HCUD.

3. Tengasco, Inc. has a contract with TPC to allow TPC to transport Tengasco, Inc.'s natural gas from its wells to the facilities of HCUD or to East Tennessee Natural Gas (the "Transportation Contract").

4. Tengasco, Inc. has a contract with Powell Valley Electric Cooperative, Inc. to allow Tengasco, Inc. to transport natural gas from its wells to the Powell Valley Utility District ("PVUD"), upon the State of Tennessee's approval of the formation of the PVUD and upon the PVUD's completion of a pipeline into TPC's main line in Hancock County, Tennessee

5. Tengasco, Inc. and TPC plan to amend the Transportation Contract, as necessary, to include transportation of Tengasco, Inc.'s natural gas by TPC to PVUD.

6. TPC intends to serve as the primary transporter of Tengasco, Inc.'s natural gas in Tennessee.

III. Public Interest

1. Approval of TPC's application will serve the public interest by providing a source of natural gas to a Tennessee region that otherwise relies upon propane gas.

2. Approval of TPC's application is intended to allow HCUD to purchase a competitive source of gas.

IV. Additional Assurances

1. TPC has provided assurances that it will timely provide the Authority with additional information concerning the safety of its pipeline project.

IT IS THEREFORE ORDERED THAT:

- 1 The Application of TPC to provide intrastate natural gas services within Claiborne, Hawkins, and Hancock Counties, Tennessee is hereby approved.
2. The terms of this Order shall be construed subject to Tenn. Code Ann. § 7-82-301 et seq. and other applicable Tennessee laws and shall not be construed to contravene any statutory rights of any municipality or utility district.
3. TPC shall comply with the Authority's policies, rules and orders.
4. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within ten (10) days from and after the date of this Order.
5. Any party aggrieved with the Authority's decision in this matter has the right of judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from and after the date of this Order.


CHAIRMAN


DIRECTOR


DIRECTOR

ATTEST:


EXECUTIVE SECRETARY